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REPLY TO:

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Liaison Office
Washington, D.C.

6 January 1959




SUBJECT: Supplementary Report of Audit
Technical Representative Contract LN-473
The Perkin-Elmer Corporation
Norwalk, Connecticut
Period: 1 December 1957 to 30 June 1958

TO : Contracting Officer

REF : Verbal Request of J.P. on 25 November 1958

1. As requested, we have extended the scope of our interim audit to include additional billings made by the contractor against funds committed for the fiscal year ended 30 June 1958, which were claimed after the issuance of our previous audit report for subject period.

2. The net amount billed against funds for the fiscal period 25 November 1957 to 30 June 1958, thru Final Invoice No. 13203, in the amount of \$31,267., is recommended for provisional approval subject to the qualifications mentioned in Par. 2 of our previous audit report and the following additional qualifications:

a. In Invoice No. 13185 the contractor is claiming the difference between the Engineer "A" provisional rate of  and the final negotiated rate of  in the amount of \$287. Although no contract amendment has yet been issued authorizing the increased rate we were informed that the revised rate of  as agreed to by the Contracting Officer.

b. Funds provided for the fiscal period 25 November 1957 to 30 June 1958, as per contract Amendment No. 1, total \$30,000. Although the amount claimed exceeds this amount by \$1,267 we were informed that the Contracting Officer has agreed to provide the additional funds, although no contractual coverage presently exists for this over-expenditure.

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Supplementary Report of Audit, Technical Representative Contract
TW-473, The Perkin-Elmer Corporation, Norwalk, Connecticut, Period:
1 December 1957 to 30 June 1958 - (Cont'd)

3. In our previous audit report the amount of \$29,276., billed thru Invoice No. 12527, was recommended for provisional approval. The additional amount of \$1,991 now provisionally approved consists of the following:

a. Additional costs due to revised hourly rate for Engineer "A" category (Par. 2.a. above), \$287.

b. G & A on travel costs not previously claimed, \$1,704.

4. Basis for Acceptance of General & Administrative Expense on Travel Costs:

a. The contract states that travel expense is reimbursable at "actual transportation costs plus \$15 per day per diem".

b. The contractor's consistent accounting practice has been to include transportation costs in the cost of sales base used for apportionment of G & A expense. Therefore, G & A expense on these transportation costs becomes allocable to this contract and is not otherwise recoverable by the contractor.

c. G & A on labor was included as part of the contract Hourly Rates.

d. The rate claimed, 18%, appears reasonable since the actual book rate for the fiscal year ended 31 July 1958 was 19.52%. Cost disallowances for the two preceding fiscal years averaged 1.60% per year (See audit report for contract SC-45-12).

5. Audit adjustments in our prior audit report were definitized as follows:

Additional amount due contractor - claimed on Invoice No. 12885	\$110
Overbilling of transportation costs - deducted by contractor on Invoice No. 13203	<u>85</u>
Net additional amount due contractor	<u>\$ 25</u>

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Auditor General